



# The Real Estate TRENDS

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

Volume XVIII

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

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## REAL ESTATE ACTIVITY

For the fourth straight month, real estate activity has shown an increase. During the month of September, our national real estate activity index rose another point to 18.1 points above the long-range computed normal. It is now back to the level it enjoyed near the early part of 1949.

There were a number of cities where the level of real estate activity exceeded that of January 1949. Of these cities, Detroit and Oklahoma City showed the greatest gain, with a rise of 25% above their first-of-the-year level. Dallas was next with 20% above, and Minneapolis was third highest with a level 14% above that of January; Seattle and Denver were 5% above their January level.

Moving in the other direction were San Francisco, with real estate activity 20% lower than its January level; Boston, 19% below; Columbus, Ohio, 18% below; Flint and Atlanta, 13% below; and Buffalo, 12% below. Houston, Hartford, Indianapolis and Kansas City, Missouri, have all climbed to the approximate level they occupied at the beginning of the year.

The present recovery of the national index bids well to equal the long period of recovery in 1947, when activity rose for an uninterrupted period of 6 months.

## REAL ESTATE MORTGAGE ACTIVITY

Our real estate mortgage activity index has been following the course of real estate activity quite closely. In August, this index rose to 162.9. This was a new high for the year and marked the fourth consecutive month a rise had taken place. From its postwar low of 145.5 reached in March 1949, our mortgage activity index has regained 17.4 points. No doubt the reading for September will reflect the continued rise in real estate activity by showing another increase during that month.

On page 447 is an interesting chart on Veterans Administration loans. This chart shows the dollar amount of applications for loans and loans closed by the VA through mid-1949.

It is interesting to notice the close correlation between this branch of mortgage activity and our national mortgage index. There also seems to be a greater spread between loans applied for and loans closed than existed during the last few months of 1948.

## INCREASES IN BUILDING COSTS SINCE 1939

(SAINT LOUIS)  
October 1949



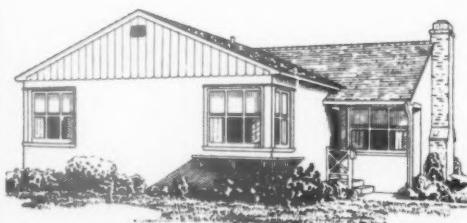
**SIX-ROOM BRICK HOUSE  
(FRAME INTERIOR)\***  
Content: 23,100 cubic feet  
1,520 square feet  
Cost 1939: \$ 6,400  
(27.7¢ per cubic foot; \$4.21 per square foot)  
Cost today: \$14,615  
(63.3¢ per cubic foot; \$9.62 per square foot)  
**INCREASE OVER 1939 = 128.4%**



**FIVE-ROOM BRICK VENEER HOUSE\***  
Content: 24,910 cubic feet  
1,165 square feet  
Cost 1939: \$ 5,440  
(21.8¢ per cubic foot; \$ 4.67 per square foot)  
Cost today: \$12,790  
(51.3¢ per cubic foot; \$10.98 per square foot)  
**INCREASE OVER 1939 = 135.1%**



**SIX-ROOM FRAME HOUSE\***  
Content: 25,376 cubic feet  
1,650 square feet  
Cost 1939: \$ 5,894  
(23.2¢ per cubic foot; \$3.57 per square foot)  
Cost today: \$14,429  
(56.9¢ per cubic foot; \$8.74 per square foot)  
**INCREASE OVER 1939 = 144.8%**



**6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT**  
Content: 12,119 cubic feet  
992 square feet  
Cost 1939: \$3,117  
(25.6¢ per cubic foot; \$3.14 per square foot)  
Cost today: \$7,523  
(62.1¢ per cubic foot; \$7.58 per square foot)  
**INCREASE OVER 1939 = 141.4%**

\*Costs include full basement.

#### **RESIDENTIAL CONSTRUCTION ACTIVITY**

nine months of 1948, we are inclined to believe that this figure will be revised downward.

Compiling construction statistics is such a huge task that it is generally several months before final figures are available. Thus, there is a good possibility that the government estimates for July, August and September will be revised downward. If the estimates of construction volume in these last three months are 5% too high, as was the case of the June estimate, the totals will be revised downward from 743,000 to 728,000, or about 2% below the total for the first nine months of 1948.

Regardless of these revisions, residential construction is having another booming year, and while 1950 will probably not reach so high a total as 1948 and 1949, it, too, will be a good year for the building industry.

Since the end of the war the construction industry has added nearly 3,300,000 new nonfarm residential units to our housing supply. If we figure about 3.3 persons per family, we see that these new units will house nearly 11 million people. When it is remembered that during most of the time since the war the industry was plagued with shortages of materials and labor, this achievement becomes all the more remarkable.

#### **RESIDENTIAL CONSTRUCTION COSTS**

six-room frame house increased from \$14,354 to \$14,429, a rise of \$75. Increases since 1939 in the cost of building our four houses are shown on page 442.

#### **GENERAL BUSINESS**

We believe that the remainder of 1949 and at least the early part of 1950 will see a continuation of good business in most lines, although strikes could cause another downturn. In our October issue of the Real Estate Analyst we voiced the opinion that the strike situation would clear up before it caused serious harm to the economy. Our reasons for this opinion were based on the assumption that nobody really wanted a strike - and that few unions or companies could really afford one. And certainly no one in the Administration wants a situation to develop that would force the use of the much-maligned Taft-Hartley law.

If the Democrats want to make a campaign issue of the Taft-Hartley Act, their position will be weakened if the President is backed into a corner by a series of strikes and forced to invoke this law he despises so much. On the other hand, if the strikes continue and the Taft-Hartley Act is not used, the Administration will be blamed for allowing the resulting business recession to develop.

Since the Administration and most labor leaders are good friends and work well together, we believe that just so soon as some way can be found to save face for labor, these embarrassing strikes will be called off.

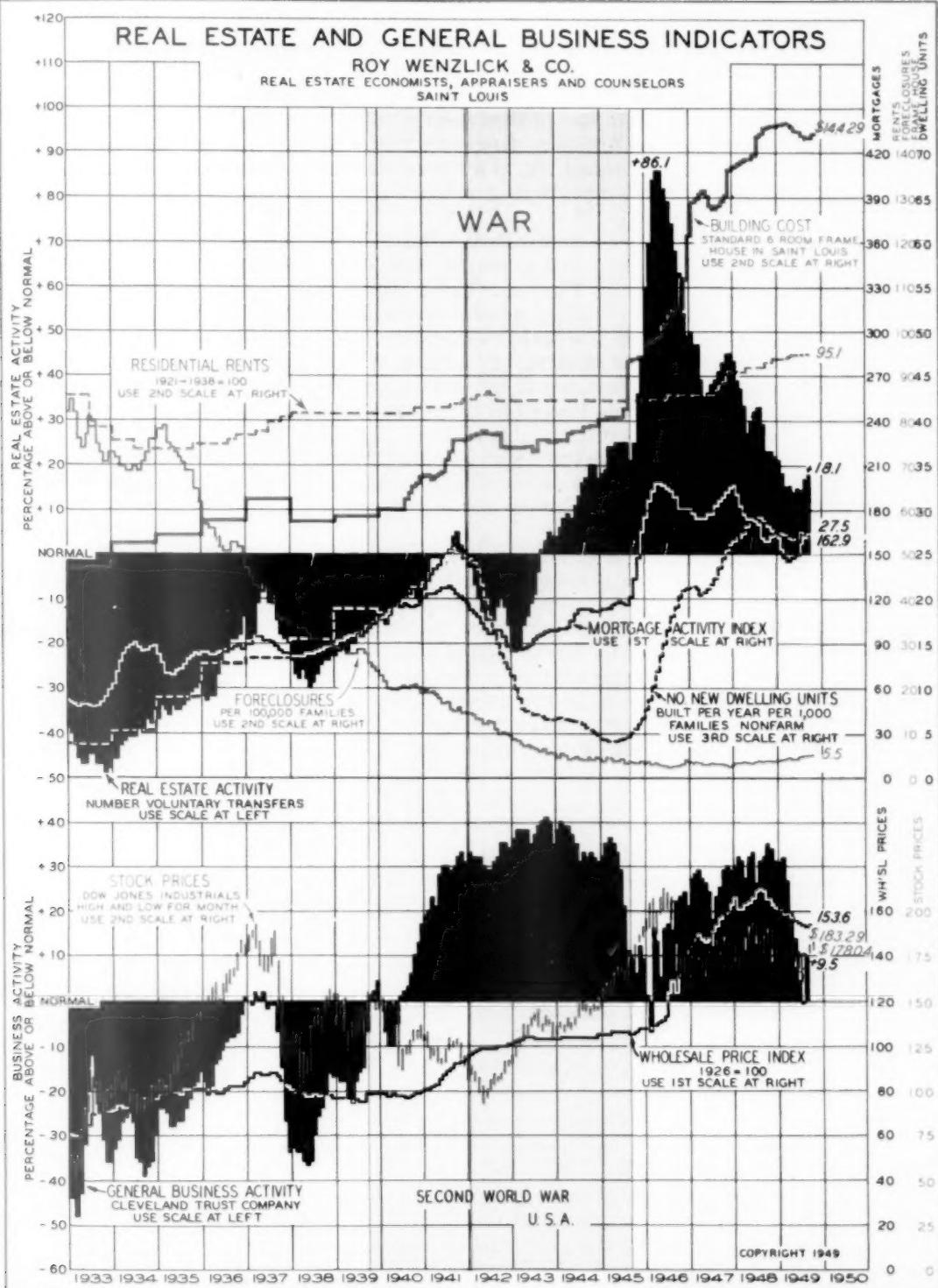
According to preliminary government estimates, the 1949 residential construction volume of non-farm units has reached 743,000 through September.

Although this is 1,600 units ahead of the first



# REAL ESTATE AND GENERAL BUSINESS INDICATORS

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SAINT LOUIS



Although the 81st Congress failed to enact most of the Fair Deal legislation, enough was put on the books to place our country one more long step toward the left. It seems a safe bet that the January session of Congress will be called upon to consider more public housing, increased Social Security benefits and coverage, Federal aid to education and government medical assistance. It also seems certain that in view of the Russian progress in the field of nuclear fission, our defense budget will be increased. It is a sorrowful task to predict higher taxes, but it will probably be that, or a huge government deficit.

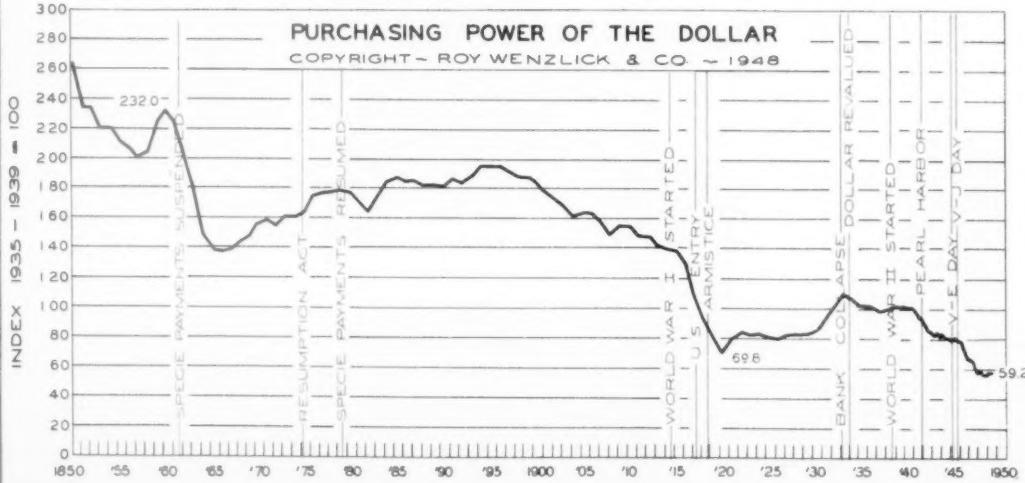
#### PURCHASING POWER OF THE DOLLAR

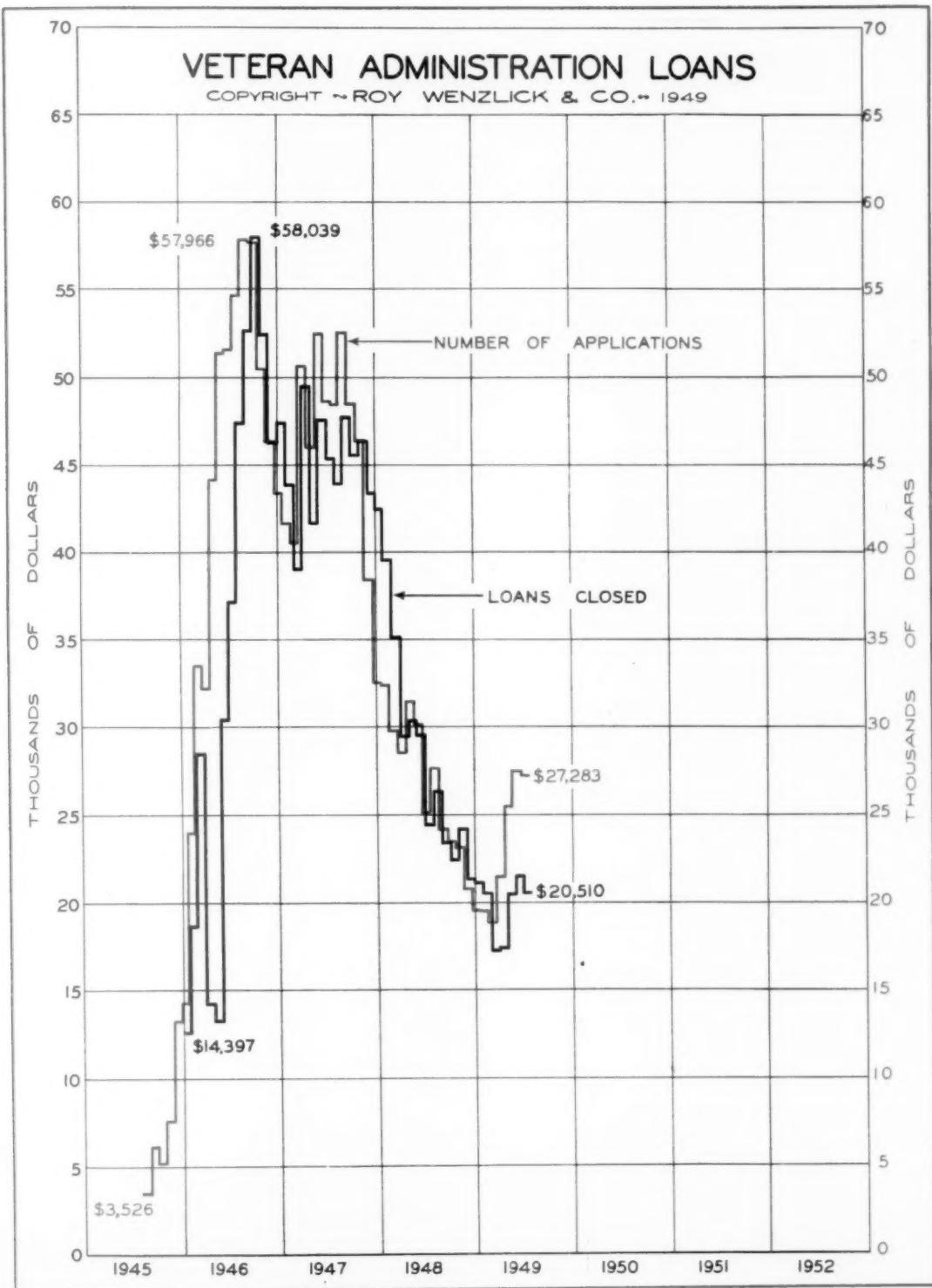
Naturally the deficit (we already have one, of course) will cause the value of our dollar to sag lower still. The chart below shows that the value of the dollar, after a brief period of leveling off, now appears to be starting down once more. Whether or not the deflationary (on our economy) European devaluation and the inflationary veterans' payments will counterbalance one another is impossible to say, but it is certain that a large and continued Federal deficit will incline our economy toward inflation once again.

It is well known that the factor which has contributed the most to our inflated economy (and the decline in the value of our dollar) is the rapid increase in the amount of currency and credit during the war years.

Naturally, if the supply of goods and services had increased at the same rate, a great deal less inflation would have resulted. But instead of increasing, the supply of most goods and services became scarce during the war. Now this method of financing the war may or may not have been the only successful way. In any event, deficit financing spurred production to a point where we were able to win the shooting war. However, deficit financing in the most prosperous period the country has ever known seems to us to be the height of extravagance and irresponsibility, and that is what this country is indulging in today. Furthermore, the men at the head of our government give every indication of continuing with their policy of deficit financing until some indefinite time in the future.

In following this course, the government will simply spend several billion dol-





lars more than it collects in taxes, which means that the deficit will be made up by the government printing presses, and the value of our dollar will be watered down once more as prices start back up again.

#### "FORECLOSURES

The foreclosure rate inched upward once again in September and is higher than it has been in several years. The present reading is 5.5 foreclosures for every 100,000 nonfarm families, and although still unusually low, the index has been slowly increasing for the last two years.

#### ERRATA

The chart on page 447 read in dollars, and has dollar signs before the figures. The copy describing the chart also reads, "This chart shows the dollar amount of applications for loans and loans closed by the VA through mid-1949."

These references to dollar figures are incorrect. The chart actually shows the number of applications for loans in red and the number of loans closed by the VA through mid-1949 in blue. No reference to dollars should have been made.